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AUTHOR Chaffee, John
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ABSTRACT

California Assembly Bill 65 (AB 65) attempts to equalize California school finance and improve school programs. The school finance portion of the bill arose as a response to the 1976 Serrano v. Priest decision in which the California Supreme Court said that the existing school finance system was unfair to both students and taxpayers. AB 65 provides additional state assistance to increase per pupil expenditures in low-wealth districts and imposes new limits on the growth of expenditures in districts with high per pupil property values. The bill also establishes the School Improvement Program designed to increase the quality of public education primarily through state planning and implementation grants to participating schools. One section of AB 65 modifies the legislature's proficiency standards in basic skills for students in grades 7-12 and extends these requirements to specified elementary grades. Also funded through AB 65 is a staff development program that helps teachers and other school staff members design and implement professional development activities tailor-made to meet specific local school needs. Regarding exceptional children, AB 65 provides for a Special Education Master Plan to ensure that all physically and mentally exceptional children receive appropriate services. The bill also merges state funding of separate programs for compensatory and bilingual education into a consolidated system called Economic Impact Aid. (Author/JM)

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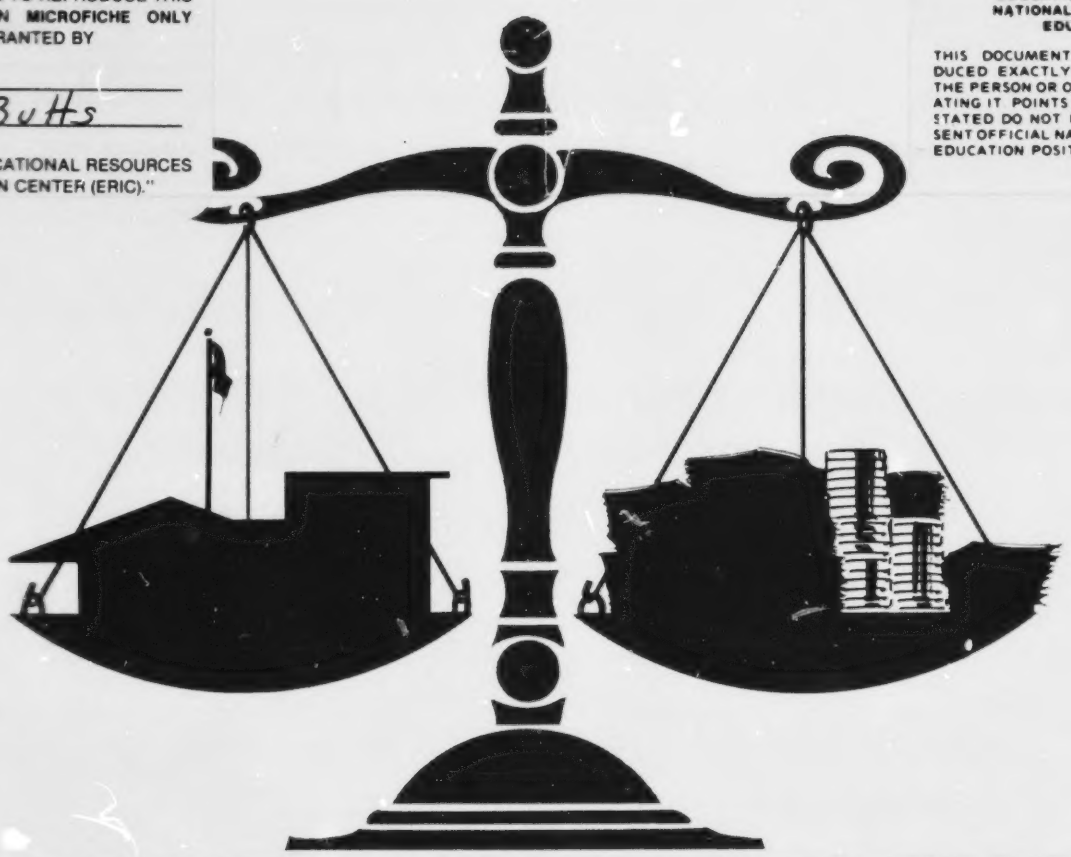

California Schools Beyond Serrano

EA 011 565

Credits

California Schools Beyond Serrano was written by John Chaffee, communications coordinator, California State Department of Education.

Editorial direction was provided by George W. Neill, assistant superintendent, Office of Information, and William D. Whiteneck, deputy superintendent for administration, California State Department of Education.

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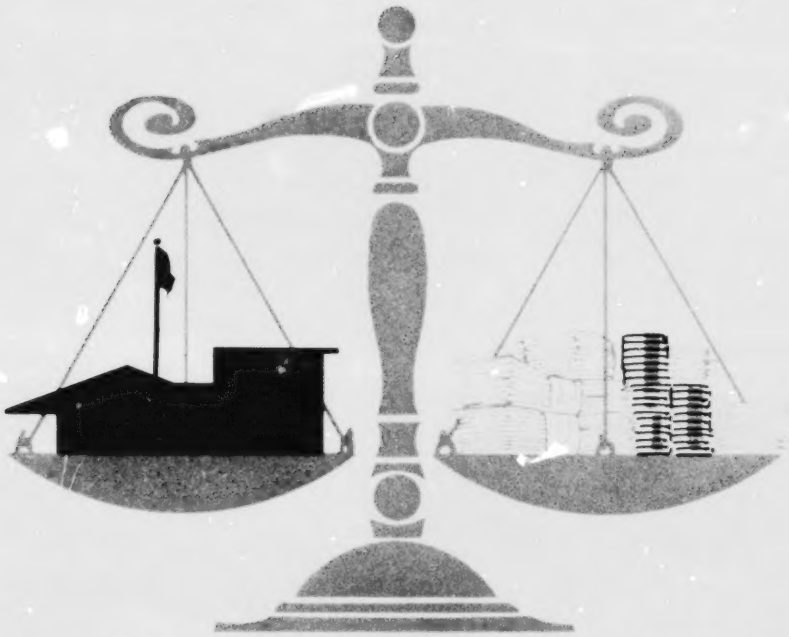

California Schools Beyond Serrano

A Report on Assembly Bill 65 of 1977

FOREWORD

This report on Assembly Bill (AB) 65 was written before June 6, 1978, when California voters approved Proposition 13, an amendment to the state constitution that limits local property taxes to one percent of market value.

Obviously, this limitation prevents full implementation of those school finance provisions of AB 65 that require certain levels of local property tax revenue.

However, in response to Proposition 13, the California Legislature has provided local school districts with a *one-year-only* allocation of slightly more than $2 billion to help offset the loss of an anticipated $2.8 billion in local property tax revenues. As a result, instead of local tax revenues providing 52 percent of local school costs, as anticipated under AB 65, the state will provide more than 70 percent of local school revenues for the 1978-79 school year. Obviously, this marks a dramatic shift from local to state financing of public education.

But in providing additional state funds to offset a portion of the local revenues lost due to Proposition 13, the legislature kept intact the framework of AB 65, including the revenue limit concept, categorical aid programs and school improvement. For the 1978-79 school year only, local districts will receive enough additional state assistance to be assured of 85-91 percent of their anticipated base level budget needs. The formula adopted by the legislature includes an equalization factor: Low-spending districts will be allowed approximately 91 percent of their projected 1978-79 support base; high-spending districts will be allowed about 85 percent of their projected base level of support.

State allocations for most categorical aid programs and school improvement will be reduced by 10 percent for the 1978-79 school year. An exception is state aid to educate mentally or physically handicapped children, which will not be cut.

Thus, while it will not be possible to implement AB 65 as envisioned when it was enacted, the integrity of its concepts and most of its programs have been preserved, at least for one year. It is quite possible that the California Legislature, in developing a long-term response to the local revenue restrictions of Proposition 13, will use AB 65 as a base upon which to build. The four components of financial support inherent in AB 65 remain valid in meeting the challenge of funding California schools in the wake of the state supreme court's *Serrano* decision.

Therefore, this report should prove useful throughout the 1978-79 school year and perhaps for many years beyond. *California Schools Beyond Serrano* is a sequel to *Beyond Serrano: Paying for California's Public Schools,* which was published by the State Department of Education in May 1977, three months before the enactment of AB 65.

WILSON RILES
Superintendent of Public Instruction

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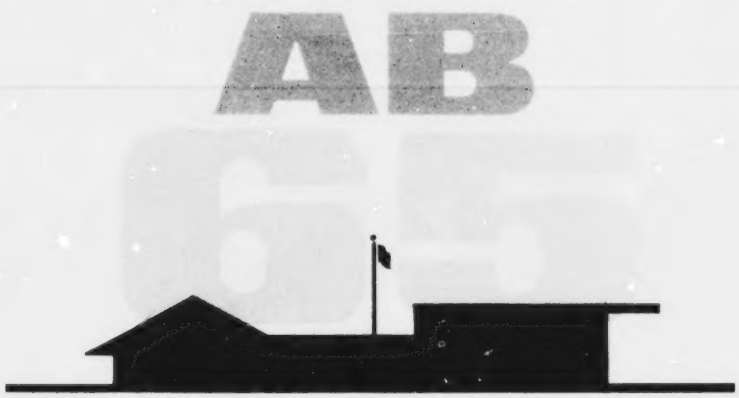
CHAPTER 1



A BETTER SCHOOLS LAW

In September 1977, Gov. Edmund G. Brown Jr. signed into law a bill that culminated many years of legislative efforts to improve public schooling in California. As it made its way through the state legislature, the measure carried the designation "Assembly Bill 65." As law it is commonly known as AB 65, (Chapter 894, Statutes of 1977).

The aim of AB 65 is twofold: to improve the funding and the results of public schooling in the nation's most populous state. In other words, the law is designed to improve the way Californians pay for the operation of their more than 7,000 public schools and at the same time to improve the quality of instruction provided in those schools for more than four million children throughout the state.

Specifically, the law tried to answer five questions California citizens frequently ask about public schooling:

- How to finance public schools in a way that is fair to taxpayers and at the same time assures every student an equal opportunity to obtain a quality education?
- How to improve public schooling?
- How to assess pupil performance and hold schools accountable for pupil achievement, particularly in the basic skills?
- How to improve teaching and other school staff services?
- How to meet the special needs of students who are educationally disadvantaged, mentally or physically handicapped, or who have little or no ability to speak English?

AB 65 should provide answers to these questions for virtually every parent, student, taxpayer, and employer in the state.

The law changes the way Californians pay for their schools. It establishes a promising new statewide program to improve public education on a school-by-school basis. It requires local school districts to assess the performance of pupils in the basic skills. It provides funding for new staff development activities. And it changes the way state funds are allocated to help students with special needs.

The Finance Problem

Before AB 65 was passed, the way California public schools were financed violated the State Constitution. In a December 1976 decision on a case known as *Serrano* v. *Priest,* the state supreme court said the school finance system was unfair both to the children attending public schools and to the people who paid for them.

The court said the quality of schooling available to children in the state depended too much on the value of residential, agricultural and commercial property in the particular school district in which a child happened to live.

Noting that more than one-half of all public school funds were raised through the local property

tax, the court determined that the more real property value per pupil in a district, the more money the district could readily raise per pupil. For example, a local property tax of $1 per $100 of assessed value in a district having $200,000 of property wealth per pupil would yield $2,000 per pupil. The same $1 tax levy in a district with only $10,000 of assessed value per pupil would raise only $100.

In 1977-78, basic per pupil revenues ranged from less than $1,000 to more than $3,000. A few high-wealth elementary school districts exceeded $4,000. Most districts were between $1,200 and $2,000 per pupil.

The court ruled that such inequities, resulting from differences in local property wealth per pupil, violate the equal protection provisions of the state constitution. And while the court admitted that more money alone wouldn't guarantee better schools in low property wealth districts, it did find that money is of basic importance in determining the quality of a child's education.

In its decision on the *Serrano* case, the court gave the state legislature until September 1980 to develop a more equitable means of financing public schools. Within nine months of the court decision the legislature enacted AB 65, which provides substantial compliance with the *Serrano* edict.

Under AB 65, both tax rate and per pupil expenditure disparities will gradually lessen. The law provides additional state assistance to increase per pupil expenditures in low-wealth school districts and imposes new limits on the growth of expenditures in districts with high per pupil property values.

Improving Public Schooling

Intensive nationwide efforts to improve public schooling began with public reaction to the first Soviet sputnik in 1957. More than any other social institution, the public schools absorbed the shock of that unexpected Russian space achievement.

Under a variety of labels — reform, renewal, restructuring — waves of school improvement activities washed over the nation. Some focused on curriculum content, some on school and classroom organization, others on instructional methods. While some improvement efforts were effective, many suffered from utopian expectations.

Pupils were exposed to such innovations as "new math" and "new physics," to nongraded classes in schools without walls and to differentiated staffing for individually prescribed instruction.

But most of this activity was concentrated in selected school districts — in affluent suburbs in response to parental pressure or in central cities out of desperation.

Not until 1972 was any planned, systematic school improvement effort undertaken on a statewide basis. That's when California began an Early Childhood Education (ECE) program to restructure schooling throughout the state for children in kindergarten through the third grade.

AB 65 modifies the ECE concept and extends it through grade 12 in a new School Improvement Program that is designed to increase the quality of public education on a school-by-school basis.

Assessing Pupil Performance

"Back to the basics!" That's been a common cry throughout California and the rest of the nation in recent years as taxpayers, employers, parents and students alike increasingly questioned the effectiveness of public schooling and the value of the high school diploma.

As a result, there has been an uncoordinated national movement to reemphasize basic reading, writing and computation skills in the public schools. More than 30 states, including California, have instituted some form of basic skills proficiency assessment or minimum competency requirement.

California's version, passed by the state legislature in 1976, requires the establishment of local district proficiency standards in basic skills for students in grades 7-12. AB 65 modifies these proficiency requirements and extends them to specified elementary grades.

Staff Development

To improve public schooling, it is necessary to improve the attitudes, skills and techniques of those teachers and other staff members who are responsible for school programs.

While that may seem obvious, even simplistic, staff development has long been a stepchild of American education. Traditionally, staff development (or "inservice education" as it is known in public school circles) consists of evening, weekend or summer classes for teachers at a college or university far removed from the local classroom setting. Such classes often are taught by college professors who haven't been near a public school classroom in years.

Both the new School Improvement Program and

AB 551, which is funded through AB 65, provide for locally planned programs, to help teachers, and other school staff members design for themselves professional development activities that are tailor-made to meet specific local school needs.

Pupils with Special Needs

Many schools have pupils with uncommon needs. For such pupils, equity in per pupil expenditures is not enough. They require special help and supplemental funds to overcome educational deficiencies, mental or physical handicaps, or to learn to speak and write the English language.

In fact, about one-third of the more than four million children who attend California public schools every day are considered to need special help. More than one million come from homes where the family income is below the federal poverty level. Nearly 235,000 have little or no ability to speak English. Almost 350,000 have definable mental or physical handicaps.

California has had programs for years to help such children: programs for educationally disadvantaged youth, for limited and non-English speaking pupils and for the mentally and physically handicapped.

AB 65 makes two changes in allocating state funds for these programs. First, it provides funding for the phasing in of a Special Education Master Plan to ensure that all physically and mentally exceptional children receive appropriate education services. Second, it merges state funding of separate programs to meet the special needs of low-income, low-achieving and limited and non-English speaking pupils into a single, consolidated state-to-district allocation system known as Economic Impact Aid.

AB 65 Overview

The predominant theme of AB 65 is the improvement of public education in California. The dual focus of that theme is school finance and school programs.

The law did not spring to life solely as a response to the *Serrano* decision. Instead, it is rooted in a rich variety of previous legislation. It brings together and modifies laws that were enacted piecemeal over many years, each in response to a specific need. It is perhaps the most comprehensive education law ever enacted by a state government, calling for one of the most sweeping school improvement efforts in the history of American education.

CHAPTER 2

PUBLIC SCHOOLING IN CALIFORNIA

Before assessing the impact AB 65 will have on California schools and children, it's helpful to understand the magnitude of the state's commitment to public education.

More than 20 percent of California's 22 million residents are engaged full time in public schooling, either as students, teachers, support staff or administrators. In fact, more children attend public schools in California than there are people in more than 30 other states.

It's a multi-billion dollar enterprise. In 1976-77, it cost more than $7 billion for basic operations to school 4.6 million students from kindergarten through grade 12. That's about $1,500 per student.

The public school system is the single largest employer in the state. In 1976-77, the 1,042 local school districts employed 206,000 teachers and other instructional personnel. They were paid an average annual salary of $16,000. In all, it took more than 376,000 people to manage and operate California's 7,035 public schools. That's about 4 percent of the total civilian work force in the state.

The educational attainment level of California citizens is among the highest in the nation. According to the 1970 federal census, California ranks seventh among the states in the percentage of its population over age 25 that has completed at least four years of high school. It also ranks seventh in the percentage of its adult population with four years or more of college education. And it ranks second in median years of schooling completed — 12.4.

About 91 percent of all California children 5-17 years of age are enrolled in public schools; some 265,000 graduate from high schools every year.

Variety and Scope

Public school sites in California range from one-room buildings with fewer than 10 pupils in some isolated rural areas to large inner-city high schools serving as many as 3,600 students. A variety of programs are available — from the highly structured

Where the Students Are

Five unified school districts enroll more than 20 percent of all public school students in California.

They are: Long Beach, Los Angeles, Oakland, San Diego and San Francisco.

Los Angeles alone, with more than 600,000 pupils, has almost 14 percent of all public school students in the state.

with an emphasis on the development of basic skills to informal schooling where children help design their own learning programs.

Teaching styles vary from the traditional — one teacher who teaches a single class all day in all subjects — to teams of specialized teachers, teacher aides and resource teachers.

High school programs range from the primarily college preparatory to those that place heavy emphasis on vocational education. Generally, public schools attempt to provide whatever their students need. More than 2,000 schools offer breakfasts as well as lunches, for example. And adult education programs keep the lights burning until late at night in hundreds of schools across the state.

In short, public schooling in California is massive in size, sweeping in scope and provides extensive services to both children and adults.

How California Compares (1977-78)

California's 22 million residents have the sixth highest per capita income in the nation. Californians spend more per person each year on public welfare than the citizens of any other state except New York. They spend more per capita on state and local police protection than the citizens of all but three states. California ranks seventh in per capita expenditures on fire protection, and 11th in per capita expenditures on public health.

But the state ranks only 18th in per capita expenditures on public schooling. That is, taxpayers in 17 other states spend a greater share of their incomes on public schooling than do taxpayers in California.

In annual per pupil expenditures, California ranks 21st of the 50 states. While the California average in 1977-78 was $1,674 per pupil, the national average was $1,742, according to the National Education Association (NEA).

How Teachers Fare

Teacher salaries and benefits account for nearly 60 percent of all kindergarten through grade 12 public school expenditures in California. According to the NEA, the average salary of a public school teacher in California in 1977-78 was $17,370. Four states had higher average teacher salaries the same year — New York, Alaska, Hawaii and Michigan. The national average was $14,244.

Thus, while California ranks below the national average in annual per pupil expenditures, it ranks well above the national average in annual teacher salaries.

However, California pays people more for police and fire protection than it does for the education of children. The average salary of police officers in California is nearly $19,000; firefighters receive an average annual salary of more than $20,000.

While the average salary of a classroom teacher in California increased more than $6,000 since 1967-68, the increase in real income, due to inflation, has been one percent — about $80. That's less than the national average increase in real income of 1.2 percent over the same period.

Three Kinds of Districts

There are three kinds of local school districts in California:

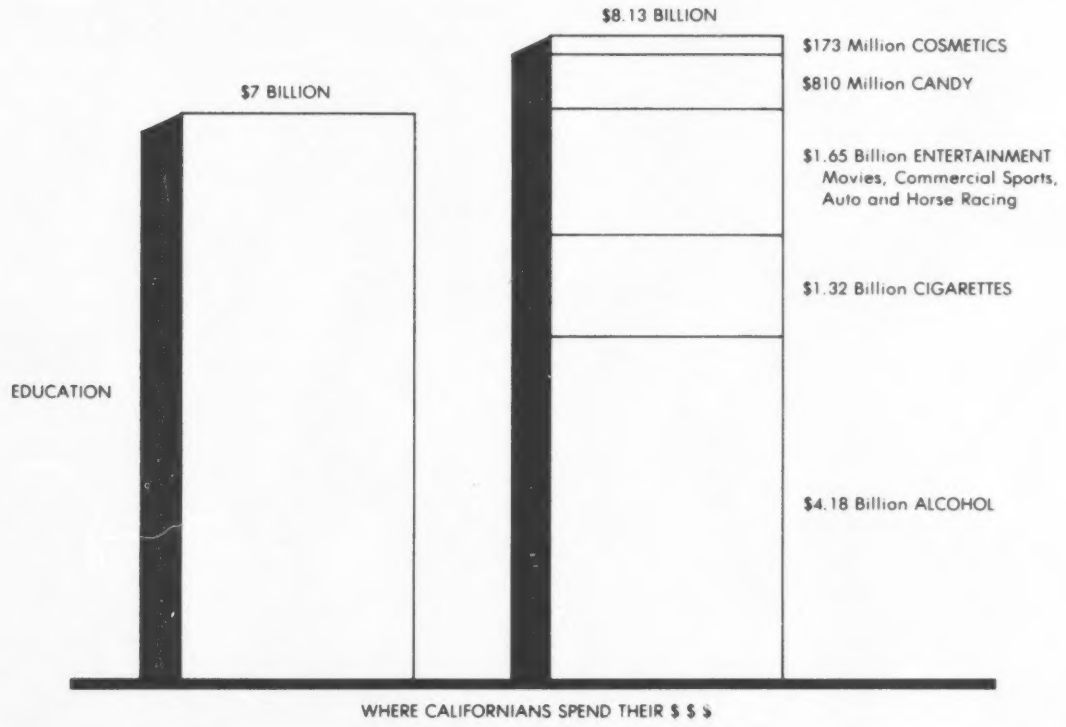
- *Elementary districts* serve pupils from kindergarten through grade 8.
- *High school districts* serve pupils in grades 9-12, usually from two or more elementary districts.
- *Unified districts* serve pupils from kindergarten through high school.

In 1977-78, approximately two-thirds of California's 4.4 million public school students were enrolled in the state's 260 unified districts.

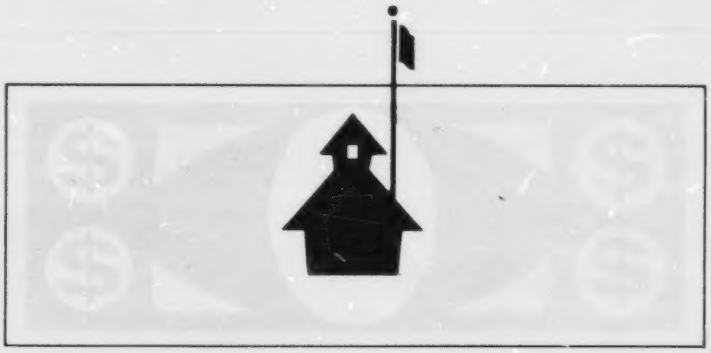
There is no consistent pattern of grade organization in the state. Some elementary schools serve children from kindergarten through grade 6 (K-6), while others are K-8 schools. Some unified districts are divided into primary schools, K-3; middle schools, 4-6; and intermediate schools, 7-8, or junior high schools, 7-9. Some high schools have grades 10-12, while other provide four years of instruction, serving students in grades 9-12.

What's Important?

While California citizens spend $7 billion annually to operate their public schools, they spend more than $8 billion every year on alcohol, cigarettes, entertainment, cosmetics and candy. Here's the breakdown: $4.18 billion on alcohol; $1.32 billion on cigarettes; $1.65 billion on entertainment, including movies, commercial sports, and auto and horse racing; $810 million on candy; and $173 million on cosmetics. (Source: State Equalization Board)



CHAPTER 3



PAYING FOR EQUAL OPPORTUNITIES

The primary objective of public schooling in California is to provide every child with an equal opportunity to obtain a quality education.

This requires both appropriate programs and adequate funds. It means that there must be not only a basic program for all children but also special programs for those children who need or desire them, particularly for those who are disadvantaged or handicapped.

It means also that there should be ways to measure the achievement and progress of individual pupils, ways to make it possible for parents to have an appropriate role in the education of their children and ways to be sure schools can change and improve to keep pace with parental desires and the changing needs of pupils and society.

From a funding perspective, it means that the financial requirements of all these program elements should be shared as equitably as possible by taxpayers throughout the state.

In its *Serrano* decision, however, the state supreme court ruled for equity in school finance, not necessarily for quality in school programs. The state, said the court, must be impartial in providing educational opportunities for all California children. But the quality of public schooling provided can be equally good or equally commonplace and still be constitutional under the court's ruling.

Therefore, in the wake of the *Serrano* decision, the California Legislature needed only to provide equal educational opportunities. To ensure excellence as well, legislators had to develop equitable means of raising and allocating tax revenues that were sufficient to provide quality schooling.

This is precisely the objective of AB 65: adequate revenues for quality schooling that are equitably gathered and distributed.

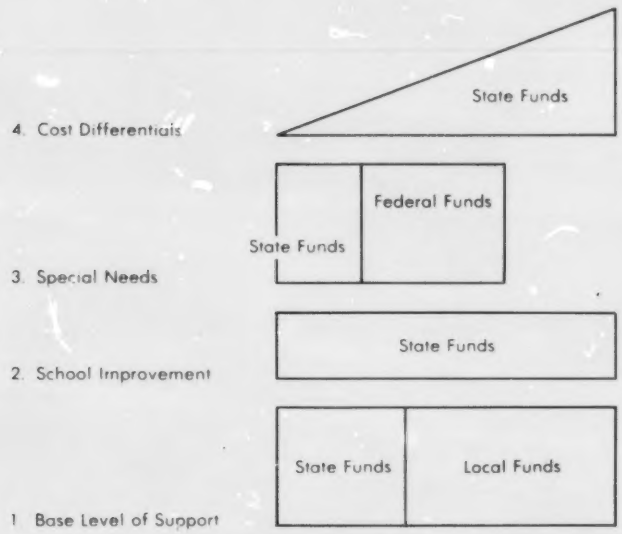
Legislators found that it was not necessary to repeal education laws already enacted and begin anew. Instead, they found that they could build on the existing base and, by modifying the state's system of allocating funds for public education, not only strengthen and improve school programs but comply with the court's *Serrano* edict as well.

Allocating School Funds

There are four interrelated parts to the state's school finance allocation system. Three are directly related to the instruction of children. The fourth is determined by the character or location of the local school district.

First, there's the financial foundation — the amount of money required to pay for the basic educational needs of the typical California child in the typical California school. The state helps local school districts provide this base level of support

California School Finance Allocations After AB 65



through two kinds of assistance: basic aid and equalization aid.

Second, there's a lesser amount per child — perhaps about 7 percent of the basic support figure — that must be invested to assess the needs and performances of individual pupils and to improve school programs. Under AB 65 the state will help local districts achieve these goals for pupils from kindergarten through grade 12 by means of a new School Improvement Program. It is based on a six-year-old Early Childhood Education program for children in kindergarten through grade 3.

Third, many children have special needs that cost more money to meet. Handicapped children, for example, or those who come to school speaking a language other than English, need more help than other children. California provides what is known as categorical aid to help local school districts furnish special services for educationally disadvantaged youth, for those with no or limited ability to speak English and for those who are mentally or physically handicapped.

Schooling and Spending

Here's what the California Supreme Court had to say about the relationship between expenditures per pupil and the quality of education:

"Substantial disparities in expenditures per pupil among school districts cause and perpetuate substantial disparities in the quality and extent of availability of educational opportunities . . . Although an equal expenditure level per pupil in every district is not educationally sound or desirable because of differing educational needs, equality of educational opportunity requires that all school districts possess an equal ability in terms of revenue to provide students with substantially equal opportunities for learning. The system before the court fails in this respect, for it gives high-wealth districts a substantial advantage in obtaining a higher quality staff, program expansion and variety, beneficial teacher-pupil ratios and class sizes, modern equipment and materials, and high-quality buildings.

"There is a distinct relationship between the cost and the quality of educational opportunities afforded. Quality cannot be defined wholly in terms of performance on statewide achievement tests because such tests do not measure all the benefits and detriments that a child may receive from his educational experience. However, even using pupil output as a measure of the quality of a district's educational program, differences in dollars do produce differences in pupil achievement."

Finally, there are school cost differentials due to such factors as geographic isolation, urban impact or sudden enrollment declines. The state has a variety of assistance programs to help local school districts meet unusual cost differentials.

Adding It Up

By using the four kinds of financial support as building blocks, a model can be developed to illustrate on a per pupil basis how an imaginary California school district is funded.

Let's assume that the state says each local school district should be spending about $1,200 per pupil to meet basic education requirements. That's the foundation level for the typical California child in the typical California school.

An additional 7 percent for school improvement would amount to $84 per pupil and bring the total for the first two parts of the model to $1,284.

If the average cost per pupil of meeting the special needs of disadvantaged or handicapped children in the district is $330, the per pupil total increases to $1,614. (Not all pupils in the district have special needs, of course, and the per pupil cost range for those that do might be $350-550, but averaged for *all* pupils it would be about $330.)

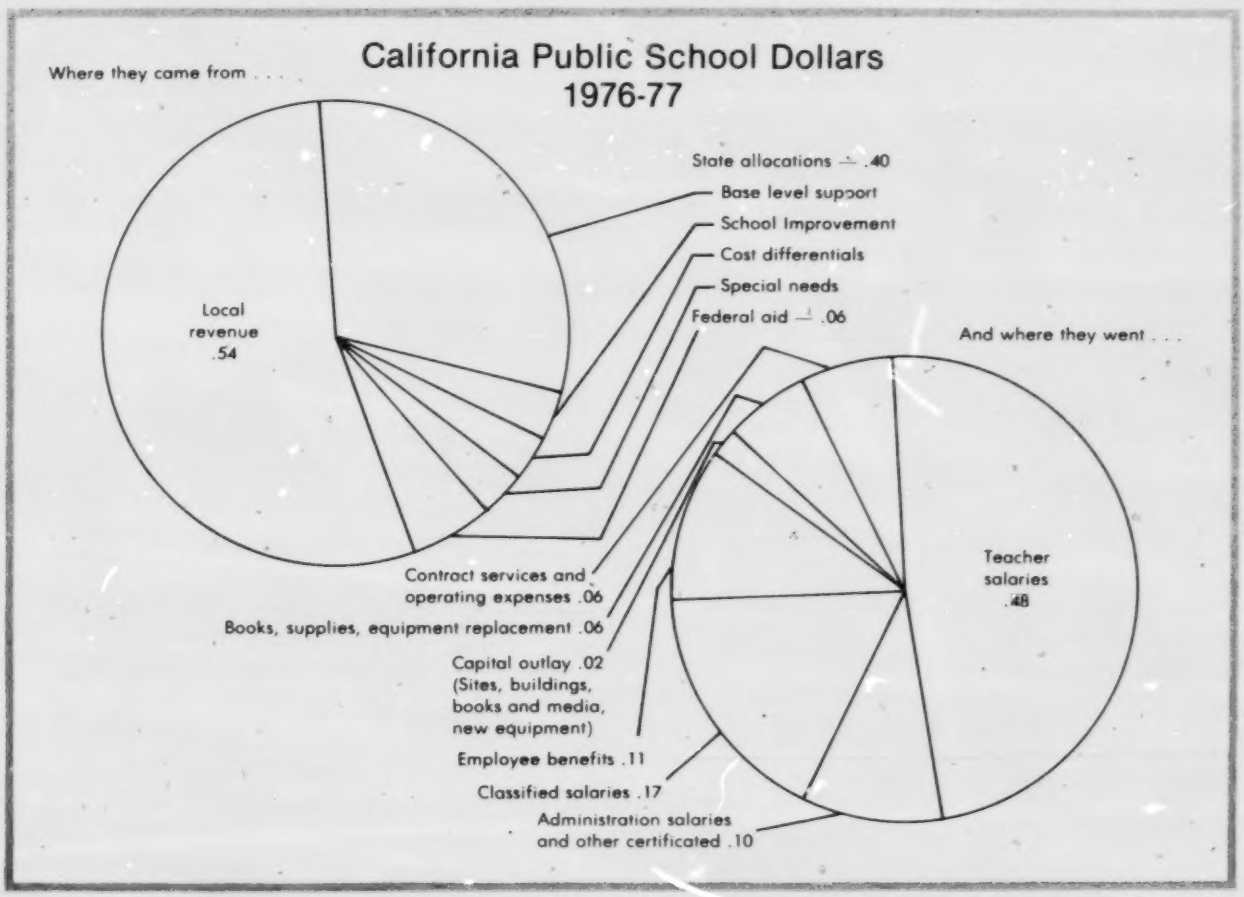
Finally, if our imaginary district happens to have unusually high transportation costs, as do schools in the Lake Tahoe area, for example, it will be necessary to add another $60 for cost differentials, bringing the per pupil total to $1,674.

And that's just what the National Education Association says the average was in California during the 1977-78 school year.

Sources of School Funds

California school districts get money from three basic sources:

- *Local* — from taxes on commercial, agricultural or residential property. In recent years this has accounted for about 54 percent of the average local school district budget. (That would be $904 of the $1,674 needed per pupil in our imaginary district.)


California Public School Dollars
1976-77
Where they came from . . .
State allocations — .40
Base level support
School Improvement
Cost differentials
Special needs
Federal aid — .06
Local revenue .54
And where they went . . .
Teacher salaries .48
Contract services and operating expenses .06
Books, supplies, equipment replacement .06
Capital outlay .02 (Sites, buildings, books and media, new equipment)
Employee benefits .11
Classified salaries .17
Administration salaries and other certificated .10

- *State* — primarily from the state sales tax and state taxes on personal, business and corporate income. Funds from state locations account for about 40 percent of the average local school district budget ($670 of the $1,674).

- *Federal* — primarily from federal personnel and corporate income taxes. Most federal school aid funds come from Washington to the State Department of Education in Sacramento and are allocated to local school districts on a formula basis for special needs programs. Federal funds account for about 6 percent of the average school district budget ($100 of the $1,674).

Following is a breakdown of allocations by sources of revenue to fund a school district budget calling for expenditures of $1,674 per pupil:

	Sources of Funds			
	Local	*State*	*Federal*	*Total*
1. Base Level of Support	$904	$296	—	$1,200
2. School Improvement	—	$ 84	—	$ 84
3. Special Needs	—	$230	$100	$ 330
4. Cost Differentials	—	$ 60	—	$ 60
Totals	$904 (54%)	$670 (40%)	$100 (6%)	$1,674

CHAPTER 4

MEETING THE *SERRANO* MANDATE

The focus of the *Serrano* case was the first of the four components of California's school finance allocation system — the base level of support or financial foundation for general education purposes. In California, state allocations to local school districts for general education purposes are based on what is known as the "foundation concept."

The foundation approach to state aid for education is common throughout the United States. Basically, the state guarantees that each local school district will have a certain minimum or foundation amount of money to spend on each pupil every year, regardless of local district property wealth.

If a local district can raise the state-determined foundation amount on its own through local property taxes, it receives no state foundation aid. If it cannot, the state will make up the difference between the foundation figure and the amount the local district can raise. This *equalization* factor guarantees that every local school district in the state will be able to spend at least a minimum amount per pupil. This assurance provides a financial floor or foundation upon which a local school district can build its budget.

To ensure some degree of fairness to taxpayers, local districts in most foundation aid states are required to levy school property taxes at rates within ranges determined by the state.

Foundation programs usually provide a floor but not a ceiling on per pupil expenditures. This means that under certain circumstances local school districts can exceed the state-established per pupil foundation figure if they so desire. Usually, high-wealth districts are in a better position to do this than are low-wealth districts.

The California Approach

California's foundation program has evolved over the past 30 years to include elements designed to keep pace with inflation, provide a measure of taxpayer equity and ensure equality of educational opportunity.

The state has established a different per pupil foundation figure for each of the three types of school districts. For the 1977-78 school year, for example, the foundation figure for elementary school districts was $1,132 per pupil. High school districts had a per pupil foundation of $1,318. Unified school districts receive a $20 per pupil bonus for unification. And so, in 1977-78, unified districts had a per pupil foundation of $1,152 for elementary school pupils and $1,338 for high school students. The statewide average for unified districts that year was $1,215.

California's foundation program also includes an inflation factor. As the cost of living increases,

Measuring Local District Wealth

The wealth of individual residents in local school districts is not necessarily indicative of the "wealth" of the district for school finance purposes. California measures local district wealth solely in terms of property value per pupil. Some low-income residential areas are located in districts that have valuable commercial properties and so are regarded as high-wealth districts for school finance purposes.

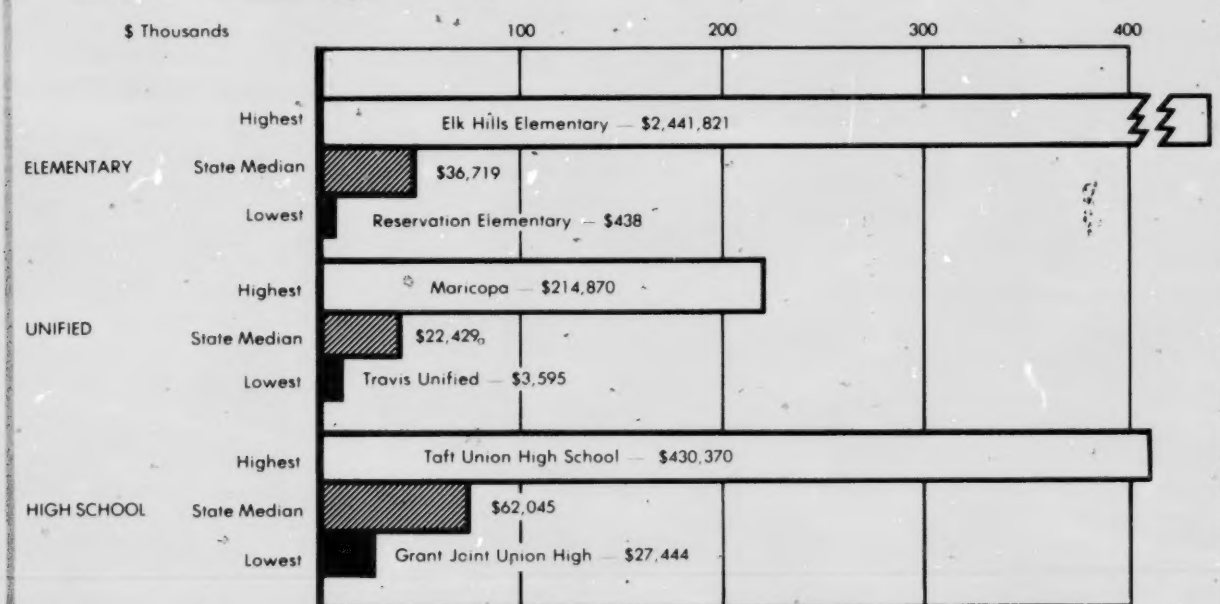
Conversely, some high-income residential areas are located in local school districts with little or no commercial property and so are considered medium or even low-wealth districts for school finance purposes.

The key factor is assessed value of residential, agricultural and commercial property per pupil.

The Gap Between Rich and Poor

Thirty-nine elementary school districts in California had $200,000 or more in assessed property value per pupil in the 1977-78 school year. At the other extreme, 17 elementary districts had less than $10,000 in assessed property value per pupil. However, most pupils attend schools in districts near the median — $36,719 for elementary, $22,429 for unified and $62,045 for high school districts.

The vast differences in assessed value of property per pupil in California school districts are dramatically illustrated in this chart:



California Wealth Per Pupil Gap 1977-78
(Assessed Valuation)

so do annual per pupil foundation levels for all three types of school districts.

Following are the annual foundation levels provided under AB 65:

Year	*Elementary*	*High School*	*Unified*
1977-78	$1,132	$1,318	$1,215
1978-79	$1,241	$1,427	$1,324
1979-80	$1,360	$1,546	$1,443
1980-81	$1,447	$1,633	$1,530
1981-82	$1,539	$1,725	$1,622

Basic Aid and Equalization Aid

Within the annual foundation figure, California provides two kinds of financial assistance to local school districts:

- *Basic Aid* of $125 per pupil is allocated to every school district in the state, regardless of property wealth. (Beginning in 1978-79, this amount will be reduced under terms of AB 65 to $120, the minimum amount of state aid per pupil required under the California Constitution.)
- *Equalization aid* is the difference between what the state expects a local district to raise on its own and the total foundation figure, if the difference exceeds the basic aid figure.

For example, if in 1977-78 an elementary school district was expected to raise only $446 of the $1,132 per pupil foundation figure through local property taxes, the state would have allocated the difference to the district, a total of $686 per pupil — $125 in *basic aid* and $561 in *equalization aid.*

Even districts that can raise more than the foundation amount through local property taxes receive basic aid under California's program. These are known as basic aid districts. They are, of course, the state's high-wealth districts. Low-wealth districts are also known as equalization districts.

In 1977-78, at the time AB 65 was enacted, about 600 of California's 1,044 local school districts were equalization districts. They enrolled about 85 percent of the state's total average daily attendance.

Determining State Assistance

In allocating money to local districts under the foundation program, the state defines "pupil" in terms of average daily attendance, or ADA. That's usually about 97 percent of the district's total enrollment.

To determine the amount of state aid that will be provided any local district under the foundation program, it is necessary first to multiply the foundation figure by the district's ADA. Then multiply the ADA by the basic aid figure, and subtract the second result from the first.

For example, in 1977-78, an elementary school district with an ADA of 3,000 pupils would have needed a total of 3,000 x $1,132 or $3,396,000 to provide foundation support for all of its pupils that school year.

We know that the state would have provided basic aid of at least $125 x 3,000, or $375,000.

If we subtract basic aid of $375,000 from the foundation support total of $3,396,000, we are left with $3,021,000. That is the amount the district needed to provide full foundation support for each of its 3,000 pupils.

To determine how much of that $3,021,000 would have been provided by the state in the form of equalization aid, if any, it is necessary to know how much money the state expected the local district to raise on its own through local property taxes.

The local district's anticipated contribution per pupil is based on the property value per pupil multiplied by the tax rate per $100 of assessed valuation that is established by the state for computation purposes. This tax rate is not necessarily the local district's property tax rate for the schools.

The amount of assessed property behind each pupil is found by dividing the ADA into the total assessed value of all commercial and residential property in the district.

If, for example, the assessed value of all property in our imaginary elementary school district was $60 million in 1977-78, then the amount of assessed property value per pupil was $60 million divided by 3,000 pupils or $20,000. That's low. In 1976-77, the California median was $36,719 of assessed value per pupil in elementary school districts.

Now we can multiply that $20,000 of assessed value per pupil by the tax rate per $100 that was set by the state for computation purposes that year.

The computation tax rate for elementary school districts in 1977-78 was $2.23 per $100. Using this rate, the state would have determined that our local district's per pupil contribution to the foundation program should have been $2.23/$100 times $20,000 or $446.

Since we know the state would have provided $125 per pupil in basic aid, we now can determine how much the state should have provided our imaginary district in equalization aid. By adding the $446 per pupil local contribution and the $125 per

pupil in basic aid, we get a total of $571. Obviously, the difference between the $1,132 foundation level and $571 is the amount due our imaginary district in per pupil equalization aid: $561. Multiply this by 3,000 pupils, and we get a total of $1,683,000 that the state should have provided in equalization assistance.

The foundation program breakdown for our district, on both a per pupil and district total basis, would have been:

	Per Pupil	*District total*
State foundation level	$1,132	$3,396,000
State basic aid	$ 125	$ 375,000
Local district share	$ 446	$1,338,000
State equalization aid	$ 561	$1,683,000

Local District Option

Actually, our imaginary district was not legally required to raise all of the $1,338,000 local share. Or, with the approval of local voters, it could have raised more and thus increased per pupil expenditures above the foundation figure.

In other words, a local school district has some options: it may tax its property owners at a rate above or below the state computation rate, raise more or less local revenue depending upon the assessed value per pupil, and still receive state equalization assistance based on the computation rate.

Thus, the foundation amount per pupil is used to determine state equalization aid; it is not a state-imposed mandate on per pupil expenditures. Within certain limits, a local district may spend more or less per pupil.

However, most districts in California tax their local property owners at rates at least equal to the state computation rate. In 1977-78, all unified and high school districts and nearly three quarters of all elementary districts were at or exceeding the foundation figure in per pupil expenditures for general school purposes. Their spending was based on what is known as their "revenue limit."

Revenue Limits

California law (SB 90 in 1972) imposes a limit or ceiling on the amount of money any district can raise per pupil for general school purposes. This ceiling is known as the revenue limit. Each district has its own revenue limit which can be exceeded only with the approval of local voters.

Revenue limits were first imposed in the 1973-74 school year. They were based on actual per pupil revenues in each district in 1972-73. Each district's revenue limit increases annually in accordance with a complex formula that is designed to hold down the revenue limit growth rate of high-wealth districts and stimulate the growth of revenue limits in low-wealth districts. The concept, known as convergence, is that over a period of years the gap in per pupil expenditures between high- and low-wealth districts will be reduced and perhaps eventually eliminated.

Terminating "Slippage"

Prior to the passage of AB 65, many local school districts in California were experiencing annual decreases in equalization assistance. They found that the assessed value of property per pupil in their districts was increasing more rapidly than the state foundation figure. As a result, their local share of the foundation program, determined by a fixed state computation tax rate, was steadily increasing. At the same time, the state share was decreasing.

This decline in the state share of the foundation program is commonly called "slippage." Under AB 65, the state's total share of the foundation program will be maintained at the 1977-78 school year level of about 33 percent statewide. This will be accomplished by varying the elementary and high school computational tax rates every year. The termination of slippage provision of AB 65 does not guarantee that every district will receive a constant share of state foundation program funds, only that the average district will not experience slippage and the total percentage paid by the state will not decline.

Under AB 65, local district revenue limits will be determined as follows:

- For districts with revenue limits *below* the foundation amount, increases of up to 15 percent annually are allowed until the revenue limit equals the foundation figure.
- For districts with revenue limits *equal* to the foundation amount, increases will be the same as the dollar amount increase in the foundation figure.
- For districts with revenue limits *above* the foundation amount, but not more than 120 percent of the foundation figure, revenue limits will increase by a smaller dollar amount than increases in the foundation figure.
- For districts with revenue limits *greater than 120* percent of the foundation amount, growth will be limited to 7 percent of the foundation figure in 1978-79 and 1979-80 only.

These different growth rates are designed to stimulate increases in all low revenue limits up to the foundation level and slow down the growth rate of all revenue limits in excess of the foundation figure.

AB 65 also includes some additional equalization features, notably a means whereby the state will provide supplemental aid to low-wealth or equalization districts with revenue limits above the foundation level.

Guaranteed Yield Program

Prior to the enactment of AB 65, California school districts with revenue limits above the foundation figure paid the entire difference from local property taxes. This was a disequalizing factor in the state's school finance program because high-wealth or basic aid districts could raise additional revenues with lower tax rate increases than could low-wealth or equalization districts. Low-wealth districts required higher tax rates just to stay even.

AB 65 provides a new Guaranteed Yield Program for low-wealth or equalization districts that establishes a means, based on local district wealth, whereby the state will share in funding the difference between a district's revenue limit and the foundation figure. In effect, this extends the state's guarantee under the foundation program to help finance the cost of higher revenue limits for equalization districts only. Basic aid districts will continue to fund the difference between the foundation figure and their revenue limits from local property taxes.

The Guaranteed Yield Program, effective beginning in 1978-79, is expected to provide property tax relief for many equalization districts, since with state assistance they should be able to fund up to their revenue limits with lower local property tax rates.

It is estimated that by 1981-82 the Guaranteed Yield Program will apply to local districts enrolling 81 percent of the state's total ADA.

State Capture and Sharing

Since the objective of California's school finance program is to achieve equity for taxpayers as well as equality of educational opportunity for students, AB 65 includes three additional features designed to equalize local tax effort. These require that under certain conditions some high-wealth districts must increase their local tax rates to levels more nearly comparable to tax rates in many low-wealth districts.

As a result, these few high-wealth districts will thereby raise more money than they need for general school purposes under their revenue limits. AB 65 requires that these excess local funds be captured by the state for redistribution to low-wealth districts as equalization aid, a form of local revenue sharing.

The three state capture and revenue sharing provisions of AB 65 are:

- *Minimum tax rates* of $1 per $100 of assessed value in elementary school districts, 80 cents per $100 in high school districts, and $1.80 in unified districts must be levied by all local districts beginning in 1978-79. Previous legislation required only low-wealth districts receiving equalization aid to levy taxes at these minimum levels in order to qualify for foundation program support. AB 65 requires *all* districts to do so. High-wealth or basic aid districts that increase their tax rates under this provision will have excess local revenues captured by the state for redistribution to low-wealth equalization districts.
- *Equalization taxes* in high-wealth districts will be phased-in over a three-year period beginning in 1978-79. A portion of the amount by which a high-wealth district's revenue limit exceeds its foundation figure will be "wealth equalized" through a new tax mechanism. The resulting excess local revenues will be captured by the state for redistribution to low-wealth districts. Here's how it will work: A uniform tax rate per dollar of expenditure will be ap-

plied to an increasing amount of the difference between a district's revenue limit and the foundation amount. This tax rate must be added to the district's regular school tax rate, thus generating additional revenues. There will be separate tax rates for elementary and high school districts and for elementary and secondary portions of unified districts. The phase-in applies the equalization tax to 10 percent of the revenue limit-foundation difference in 1978-79, to 15 percent in 1979-80 and to 20 percent in 1980-81. The result will be to bring school tax rates in high-wealth districts more nearly in line with those in low-wealth districts and thus achieve greater taxpayer equity throughout the state.

- *Wealth-equalized voter overrides* will be the only means other than a built-in inflation allowance whereby high-wealth districts will be able to increase their revenue limits after July 1, 1977. Since 1972, local school districts in California have been able to exceed their per pupil revenue limits through voter overrides. That is, the voters in a school district, through an election, have been allowed to spend more than their revenue limit by any amount per pupil for any period of time. Under AB 65, low-wealth districts will get a state subsidy to support increases over their revenue limits through the Guaranteed Yield Program. But voter-approved increases over the revenue limits in high-wealth districts will be wealth-equalized through the required use of the equalization tax rate. They will retain the per pupil increase approved by the voters, but the state will capture the additional revenues generated through the equalization tax rate.

Modification of the state's foundation program through AB 65 ensures that wealth-related per pupil expenditure disparities between and among local school districts will steadily decrease. It is estimated that by 1981-82 about 70 percent of the state's ADA will be in districts with almost identical expenditures; an estimated 95 percent of the state's ADA will reside in districts that will be within a $200 per pupil expenditure range.

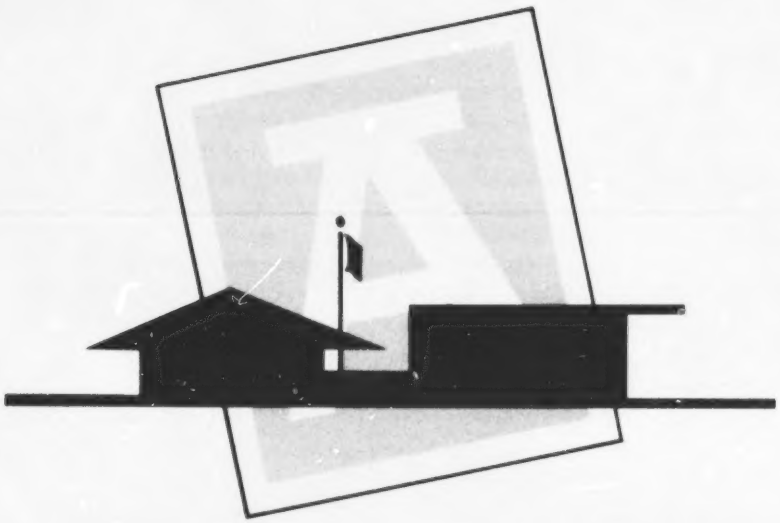
State officials believe this represents substantial compliance with the *Serrano* mandate.

Equalization and Equity Under AB 65

In its *Serrano* decision, the California Supreme Court cited a number of elements in the state's school finance program as inequitable and therefore unconstitutional. The finance provisions of AB 65 were drafted to overcome *Serrano*-related deficiencies in taxpayer equity and equality of educational opportunity. Equalization and equity elements of AB 65 include:

- *Reducing basic aid* from $125 per pupil to $120. Since most low-wealth school districts would qualify for the same total amount of state aid anyway, basic aid is in effect a state subsidy to high-wealth districts only. As such, it is an inequity in school finance. But a minimum of $120 per ADA in some kind of state aid is required under the California Constitution and this provision was not specifically declared unconstitutional in the *Serrano* decision.
- *Additional control of revenue limit growth rates.* AB 65 modifies earlier legislation to allow local school districts with low revenue limits to increase them more rapidly while at the same time further limiting the growth of revenue limits that exceed the foundation figure. Over time, this will bring basic per pupil expenditures in low-wealth districts more nearly in line with basic per pupil expenditures in high-wealth districts.
- *Guaranteed Yield Program.* The new Guaranteed Yield Program under AB 65 provides low-wealth districts with an incentive in the form of additional state aid to increase per pupil expenditures through voter overrides. At the same time, it is expected to provide a measure of local property tax relief for taxpayers in many low-wealth school districts.
- *State capture and sharing.* Three provisions of AB 65 will help equalize local tax efforts throughout California by having high-wealth districts share a portion of their local school tax revenues with low-wealth districts. These provisions are: (1) minimum tax rates; (2) equalization taxes; and (3) wealth-equalized voter overrides of local revenue limits.

CHAPTER 5



IMPROVING CALIFORNIA SCHOOLS

The California School Improvement Program is designed to increase the quality of public education throughout the state by stimulating positive change on a school-by-school basis.

The stimulation is primarily in the form of state planning and implementation grants to participating schools. Planning grants are worth $30 per pupil in average daily attendance for each school involved in the program. Implementation grants vary with grade level: $148 per pupil in kindergarten through grade 3; $90 per grade 4-8 pupil; and $65 per pupil in grades 9-12. The money involved for each school is substantial. Thus, a high school with 1,000 pupils can receive $30,000 for a year of planning and $65,000 per year for each of three implementation years.

Each school participating in the improvement program has its own School Site Council, a group representative of both the school staff and community they serve. Each School Site Council prepares a three-year School Improvement Plan that is tailor-made to meet the specific needs of a particular school.

No state or county official dictates the details of a school's improvement plan. Within the requirements of the law, it is developed locally to meet local needs, although outside resources may be called upon for assistance.

Because the needs of schools vary from one to another up and down the state, no two school improvement plans will be identical.

ECE + RISE = School Improvement

The School Improvement Program includes significant elements of both ECE — the Early Childhood Education program — and RISE — the state superintendent of public instruction's Commission for Reform of Intermediate and Secondary Education.

The ECE program was based on the recommendations of a task force of child development experts. ECE was designed to restructure schooling for pupils in kindergarten through grade 3.

ECE projects underway at the time AB 65 was enacted automatically became part of the new School Improvement Program upon the conversion of ECE advisory committees to School Site Councils.

Although RISE commission recommendations were not enacted into law, secondary school features of the School Improvement Program are similar.

Minimum Requirements

There are a few minimum state requirements in AB 65 that must be addressed in every School Improvement Program. These include:

- Programs that are designed to meet the individual learning needs and styles of each pupil and which enable all pupils to make continuous progress, master basic skills in a variety of subjects and develop esteem for themselves and others, a sense of personal and social responsibility, critical thinking and independent judgment.
- Educational services to meet the special needs of disadvantaged pupils, those who cannot speak English well and those who are handicapped.
- A staff development program for teachers and other school personnel, including aides and volunteers.
- Plans to improve both the classroom and school environment.

In addition, each elementary school improvement plan must involve the active participation of parents in classroom activities, periodic evaluation of pupil health needs and the education of parents about child growth and development.

Secondary school improvement plans also must include: timely advice for students about learning options and career opportunities; a range of learning alternatives, including community-based study; and some means whereby students can demonstrate proficiency in any required course and thus be free to take an elective.

For school improvement purposes, elementary schools are those serving pupils in kindergarten through the sixth grade.

Secondary schools are those serving students in grades 7-12. Any school with two or more elementary grades is considered to be an elementary school.

District Master Plans

School improvement activities begin and end with the local governing board.

To begin with, it is the local school board's responsibility to be sure that the principal of every school in the district is fully informed about the School Improvement Program. Each principal must provide school improvement information to the school staff, parents and, in secondary schools, to students.

The board then must establish a plan for phasing schools into the improvement program. AB 65 includes enough funds for participation by about 50

What Research Indicates

Many elements of the School Improvement Program reflect the latest research findings about educational change.

The most important is that the individual school is the largest organizational unit that can effectively be involved in improving public education. Many previous education reform efforts floundered because they were designed to change simultaneously all or many schools in a district in accordance with a single plan. Other findings include:

Time to plan. AB 65 calls for one-year planning grants prior to implementation. Many reform efforts failed for lack of adequate planning time.

Change from within. The School Improvement Program does not impose any outside change agent on a local district. Instead, it allows individual schools to determine for themselves what improvements are desired.

Total staff development. Experience with various approaches to inservice training indicates that the best way to improve teacher effectiveness is to engage the entire staff of a school in self-directed development activities, locally designed to meet local problems, as called for under the School Improvement Program.

Community involvement. Effective change requires the active involvement of all members of the school community, as called for in the School Improvement Program.

percent of the statewide elementary school enrollment and 12 percent of the state's total secondary school enrollment. Therefore, the number of schools initially involved in improvement activities will be limited.

A local district's plan for phasing its schools into the program must ensure that at least one-half of those participating in any year are schools with the greatest concentrations of disadvantaged pupils.

Local governing boards also must adopt policies for the establishment of site councils at each school in the district prior to a school's scheduled involvement in the program. In fulfilling this requirement of the law, local boards must be sure that all interested persons in a local school community have an opportunity to meet publicly to establish a site council.

Under the law, "interested persons" includes the school principal, staff members, parents and, in secondary schools, students.

Policies outlining the responsibilities of School Site Councils also are developed by local school boards. Such policies must make it clear that within the limits defined by the law, site councils are decision-making and not advisory bodies.

However, the ultimate authority and responsibility for school improvement activities within any school district lies with the local governing board.

It is the local school board that determines which schools participate in which sequence. And, in the end, the local board decides whether a site council's improvement plan is to be implemented.

How a local board intends to meet these legal obligations is to be described in a district Master Plan for School Improvement that must be approved by the State Board of Education. Once drafted, a district's master plan should be updated periodically with the assistance of local site councils.

School Site Councils

A key element in the School Improvement Program is the role of the School Site Council. Each council spends a year developing a school improvement plan and three years monitoring the effectiveness of the School Improvement Program.

Education "producers" and "consumers" are equally represented on site councils. That is, there are as many consumers — parents, citizens or students — on a site council as there are producers — representatives of the school staff. Specifically, site councils include, representing the producers, the school principal, teachers selected by teachers and other school personnel selected by their peers. Consumers are represented by parents of pupils attending the school selected by such parents and, in the case of secondary schools, an equal number of students selected by students.

Classroom teachers must comprise the majority of producer representatives on any site council.

Once organized, the first order of business for a site council is to decide whether to participate in

School Improvement Funds

Following is a breakdown of funds appropriated for the School Improvement Program under AB 65:

• 1977-78	$ 1,613,970	for school improvement planning, grades 7-12.
	1,869,030	for school improvement planning, grades K-6.
	10,000,000	for new Early Childhood Education (ECE) projects approved before the passage of AB 65.
	$ 13,483,000	Total 1977-78 funds for school improvement.*
• 1978-79	$ 7,024,000	for school improvement planning, grades 7-12.
	1,900,000	for six-month implementation of grades 7-12 programs planned from January 1978 to December 1979.
	9,000,000	for school improvement planning, grades K-6.
	118,644,000	for implementation of school improvement programs, grades K-6.
	$136,568,000	Total 1978-79 funds.
• 1979-80	$ 16,490,000	for implementation of school improvement programs, grades 7-12.
	137,247,000	for implementation of school improvement programs, grades K-6.
	$153,737,000	Total 1979-80 funds.

*Funds for 1977-78 school improvement activities are in addition to $103,297,000 appropriated prior to enactment of AB 65 for continuation of existing ECE projects.

Assessing Pupil Proficiency

In 1976 the California Legislature passed AB 3408, a law requiring that high school students be able to demonstrate proficiency in basic reading, writing and computation skills before being awarded a diploma.

Even before the law could take full effect, it was amended by AB 65, which extends minimum basic skill competency requirements to elementary school grades.

However, the legislature did not mandate a single statewide standard. Instead, the governing board of each local school district is responsible for establishing its own local requirements within the framework of the law.

Those guidelines, as spelled out in the law, are as follows:

- Proficiency standards must be established in the basic skills of reading comprehension, writing and computation. Local governing boards may require that students be proficient in additional skills.
- The content and degree of difficulty of proficiency examinations is to be determined by local school boards, not by state officials.
- Proficiency examinations must be conducted in the English language, although local districts may assess progress toward mastery of required skills in both English and a student's primary language.
- In adopting proficiency standards, local governing boards must actively involve many different kinds of people — parents who are representatives of the socioeconomic composition of the district, local school administrators, teachers, counselors and, in the case of secondary school standards, students.

Proficiency standards for high school graduation were to be established by June 1, 1978. Secondary school proficiency assessments are to begin during the 1978-79 school year. The proficiency progress of secondary school students must be assessed at least once during grades 7-9 and twice during grades 10-11.

After June 1980, no high school diploma may be awarded unless the student has met the district's proficiency standards.

Elementary school proficiency standards must be established by June 1, 1979, and elementary school assessments must begin during the 1979-80 school year. Elementary school student proficiency progress must be assessed at least once during grades 4-6.

Once a student has met the graduation standards, no further proficiency examination is required.

the School Improvement Program. On this issue, producers and consumers vote as separate blocks. On other issues, decisions are made by a majority of the whole council.

If both blocks vote not to participate in the program, the council may request the local school board to exclude the school from the program. However, the final decision on participation rests with the local governing board.

Because funds are limited, the State Board of Education selects, from those that apply, the schools that are to receive planning grants. Most elementary school selections are based on a local district's record on the state's prototype Early Childhood Education (ECE) program for kindergarten-grade 3 pupils that began in 1972. Secondary schools are selected on the basis of regional competitions.

Upon completion of a school improvement plan, a site council submits it to the local school board. If approved, the local board sends it to the State Department of Education for implementation funding.

A Process, Not a Program

School improvement is not a "program" in the conventional education sense. That is, it is not limited to specific kinds of students but applies to all students. It does not require schools to provide certain predetermined services. Instead, it allows each participating school community to determine for itself, through its site council, what it needs to improve and how to go about doing it.

Thus, school improvement, as authorized in AB 65, is more of a process than a program — a process whereby a school site council can serve as a loom to weave into finished fabric the threads of all available programs to help children learn.

The Scope of School Improvement

School improvement activities authorized under AB 65 will take place in schools enrolling more than 50 percent of all California children in grades K-6 and 12 percent of the state's secondary school enrollment, grades 7-12.

By mid-1978, school improvement planning grants had been awarded to nearly 1,500 schools in more than 600 local school districts.

Expansion of the program requires the state legislature to appropriate additional funds.

CHAPTER 6

SERVING PUPILS WITH SPECIAL NEEDS

In 1977-78, about one-third of California's 4.4 million public school children were educationally disadvantaged, had limited English-speaking ability or were mentally or physically handicapped. Some children possessed two or more of these characteristics.

In addition to or sometimes in place of the basic schooling that is funded under the foundation program, such children need a variety of specially designed educational services, each of which requires additional funds.

AB 65 consolidates existing state funding sources for compensatory and bilingual education into a new Economic Impact Aid allocation formula to serve disadvantaged children and those with limited ability to communicate effectively in the English language. In addition, AB 65 provides funds for the expansion of the state's Master Plan for Special Education to serve handicapped children.

Economic Impact Aid

Prior to the enactment of AB 65, four separate sources of funds were available to local school districts to aid educationally disadvantaged youth and those who need help in learning to speak English. Three were state funded and the fourth was the federally funded compensatory education program under Title I of the Elementary and Secondary Education Act of 1965.

To make it possible for local school districts to improve the planning and coordination of these efforts, AB 65 provides that, beginning with the 1979-80 school year, the three state funding services will be consolidated into a new Economic Impact Aid allocation formula.

State Economic Impact Aid funds will be allocated on the basis of each local district's share of a total state need index that is to be compiled by the state's superintendent of public instruction. While the state need index will be based on the number of children aged 5-17 from low-income families as defined by the federal government, local districts must use their allocations to meet the special needs of low-income, low-achieving and limited and non-English-speaking pupils. Thus, the program requirements of the three state laws involved in the funding consolidation remain in effect.

The federal Title I program will continue to operate independently as before, although most districts with high concentrations of Title I-eligible children also will receive state Economic Impact Aid funds.

About 800 of California's more than 1,000 local school districts will be eligible to receive Economic Impact Aid allocations, whereas less than 600

districts receive aid under the three separate state programs.

Funds for the three state programs in 1978-79 will total $138 million. Title I will add $195 million to serve essentially the same kind of pupil population.

By the 1979-80 school year, when the state's new consolidated allocation formula begins, there will be $189 million in state funds for Economic Impact Aid and more than 200 million federal dollars for Title I. These funds will be used to serve the special needs of nearly 1.2 million children — more than 25 percent of the state's public school enrollment.

Master Plan for Handicapped Children

California has been providing educational services for exceptional children since 1860 when a special school for the deaf and blind was established in Berkeley. Over the next 110 years other special education services were added one at a time. By 1970 the state had 28 categorical aid programs for the education of mentally and physically handicapped children.

Unfortunately, this piecemeal approach proved to be administratively unwieldy and educationally restrictive. Local school officials found it difficult and confusing to administer a myriad of special education programs. At the same time, thousands of handicapped children with special needs who were eligible to participate were on waiting lists and not being served.

In 1971, the State Board of Education called for the development of a comprehensive plan for special education to resolve these problems. State Department of Education staff members, in cooperation with more than 2,000 teachers, administrators, parents and students from throughout the state, devoted more than two years to the task.

In January 1974, the State Board adopted the result — a California Master Plan for Special Education. Later that year the legislature, in AB 4040, authorized its implementation on a pilot basis.

The goal of providing equal educational opportunities for the state's estimated 325,000 handicapped children finally became a reality in the fall of 1977. At that time, two laws — one state and one federal — went into effect. These laws guarantee children a "free and appropriate education," regardless of handicap.

The state law is AB 1250, which provides for the full implementation of the Special Education Master Plan. (AB 65 includes the funding for AB 1250.) The federal law is the Education for All Handicapped Children Act (Public Law 94-142).

Under provisions of the two special education laws, the educational needs of each handicapped child in California will be assessed by the local school district. If the child's needs cannot be met by the local district, the child can be referred to a special school. In any case, the child's educational expenses will be paid with public funds.

Both the state and federal laws require that each child be educated in the "least restrictive environment" appropriate to meet the child's needs.

For some handicapped children, the least restrictive environment will be a regular public school classroom with additional services from a specialist or teacher's aide. Other children may best be served in a special education class with regular opportunities to be together with nonhandicapped children. Some children may need placement in special schools.

The state law allocates funds on the basis of the educational services each child receives, rather than on the child's particular handicap or categorical

Categorical and General Aid

State and federal school assistance programs that earmark funds for specific purposes are known in the education community as "categorical aid" programs.

In California, such programs include those designed to serve children with special needs and those that help local districts offset certain cost differentials.

Usually, state or federal regulations govern how categorical aid funds may be spent by local school districts.

By contrast, "general aid" funds are earmarked for broad educational purposes and can be spent pretty much as local district governing boards desire. In California, examples of general assistance include basic aid and equalization assistance.

label. Under previous law, schools had to label children to receive special education funds.

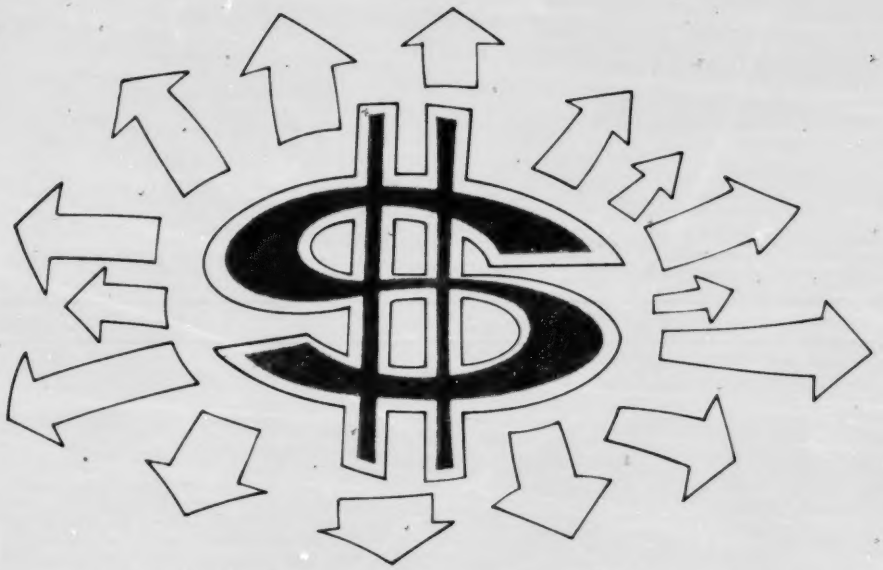
The federal law requires that an educational plan tailored to each child's individual needs be developed. The plan is drafted by a team composed of the child's special or regular teacher, a special education administrator, the parents and, when appropriate, the child.

The plan must include specific goals for the child and the educational programs necessary to meet those goals.

Both laws give parents significant new rights. For example, parents must give their written consent before the needs of a child can be assessed. Parents have the right to obtain and read copies of their child's school records. If parents disagree with placement decisions, they may appeal beyond the local school district to the state superintendent of public instruction.

The new laws are being phased in over a period of years. By 1982, when both are fully implemented, California schools will serve all handicapped persons aged 5-18, all 19- to 21-year-olds who qualify for special education and have not completed school and all 3- and 4-year-olds who require intensive special education services.

CHAPTER 7



DIFFERENTIAL COST ALLOCATIONS

The cost of providing equal educational opportunities varies from school district to school district up and down California. Pupil transportation costs are higher in geographically large school districts where pupils must be bused long distances to and from school. Small school districts require more funds per pupil to offer the same services as larger school districts. Inner city schools cost more to operate than suburban schools. And school districts suffering enrollment declines cannot reduce their budgets in direct proportion to reductions in the number of students and continue to retain basic educational services.

The existence of such cost differentials has been

The High Cost of Small Schools

The high cost of operating schools in small, isolated districts accounts for much of the extremes in per pupil expenditures throughout California.

Of the 35 unified school districts that spent the most per pupil in 1977-78, 24 had 500 or fewer high school pupils. The 35 highest spending elementary school districts that same year had average daily attendances ranging from nine to 485; 27 of them had ADAs of less than 100.

The Sierra-Plumas Joint Unified District is an example. It is a small, rural, high-wealth district in the Sierra Nevada. It has 640 students spread over 1,700 square miles. One elementary and high school attendance area in the district has a total of 44 students. Per pupil expenditures are almost $3,000.

The Victor Valley Joint School District in San Bernardino County is another high-wealth district with unusual excess costs in noninstructional areas. The district covers 2,000 square miles of desert. Victor Valley spends $130 per pupil per year on transportation alone — 150 percent higher than the state average. Temperatures that range from zero in the winter to more than 100 degrees in the summer mean higher than average heating and cooling costs.

recognized for many years in California. For example, the state has provided local school districts with special allowances for necessary small schools. And districts with excess pupil transportation costs also have received additional state assistance.

As approved by the legislature, AB 65 included three other differential cost elements:

First, it established a new special allocation category, commonly called Urban Impact Aid, to provide additional state assistance to the 30 percent of all California pupils who reside in the 19 largest multi-ethnic urban school districts. The funds, not included in the revenue limits of the 19 districts, may be used for any general school purpose. Urban Impact Aid appropriations under AB 65 were $64 million in 1977-78, $41 million in 1978-79 and $44 million in 1979-80.

Second, the bill contained a provision for extra state aid to districts with unusual excess costs for such items as transportation, energy, maintenance and insurance. This was to be a one-year allocation of $29 million in 1977-78. Gov. Brown deleted this provision of AB 65, saying "the criteria and methodology for determining eligibility and the justification for funding under this concept needs further analysis and testing." The governor said he would reconsider his position after completion of a study of variable school costs in California by the Denver-based Education Commission of the States.

Third, AB 65 modified the existing law that allows local school districts to make one-year revenue limit adjustments to reduce financial losses due to declining enrollments. Under AB 65, local districts are allowed to make an additional revenue limit adjustment in the second year after an enrollment loss of more than one percent.

Urban Impact Aid Allocations

Nineteen urban school districts enroll nearly 30 percent of all California pupils and are eligible for Urban Impact Aid under AB 65. They are: Baldwin Park, Berkeley, Compton, Fresno, Inglewood, Long Beach, Los Angeles, Montebello, Oakland, Pasadena, Pomona, Richmond, Sacramento, San Bernardino, San Diego, San Francisco, San Jose, Santa Ana, Stockton.

CHAPTER 8

THE VALUE OF PUBLIC SCHOOLING

In ruling on the *Serrano* case, the California Supreme Court said public education is essential both for individuals and for society as a whole.

"The need for an educated populace assumes greater importance as the problems of our diverse society become increasingly complex," the court said.

In colonial America, however, institutions other than schools — families, farms, shops and churches — were of equal if not greater importance in shaping individual lives and influencing the quality of society. Most of the few schools then in existence had a decided religious bias. They were maintained either by churches or by colonial governments dominated by a single religious sect.

For the most part, formal schooling was available only to a few select males. Common schools for youngsters of different religions and backgrounds were rare, and children from poor families usually received no schooling at all.

In 1789, when the U.S. Constitution went into effect, the schooling available served to maintain the kind of class distinctions that were characteristic of Europe at that time. Public education was not considered important enough to be included among the basic rights spelled out in the Constitution.

Instead, education was reserved under the Bill of Rights as a responsibility of the individual states.

It remains primarily a state responsibility to this day. In 1973, the U.S. Supreme Court ruled that education is not a fundamental right under the federal constitution. But under the terms of most state constitutions, including that of California, it has been found to be of fundamental importance.

The California Constitution, for example, says: "A general diffusion of knowledge and intelligence being essential to the preservation of the rights and liberties of the people, the Legislature shall encourage by all suitable means the promotion of intellectual, scientific, moral, and agricultural improvement." It also states that "the Legislature shall provide for a system of common schools . . ."

Schooling in America

The value of public schooling to the individual and to society has evolved gradually over the years.

Soon after the U.S. Constitution was ratified, it became increasingly apparent that the new — and still experimental — American form of government required a new kind of education. A government that received its power from the consent of those being governed needed knowledgeable citizens.

President George Washington recognized the growing need in his famous Farewell Address. "It is essential that public opinion should be enlightened," he said. And he went on to urge the American people to promote "institutions for the general diffusion of knowledge."

Thomas Jefferson, author of the Declaration of Independence, said that "any nation that expects to be ignorant and free . . . expects what never was and never will be." James Madison said, "A people who mean to be their own governors must arm themselves with the power which knowledge gives."

Stimulated by such concern, there developed over the next 50 years the basic concept of compulsory public schooling that we know today. The prime movers in this effort were state legislators, not educators — men such as Horace Mann in Massachusetts, Henry Barnard in Connecticut and Thaddeus Stevens in Pennsylvania.

There emerged, state by state, a system of eight years of public schooling for all, male and female, rich and poor, regardless of religion. This was education for basic citizenship, providing children with enough knowledge and understanding to function effectively in a representative democracy.

And this remains one of the fundamental values of education to this day. As the trial judge in the *Serrano* case said, "Education has a critical influence on a child's development as a citizen and his participation in political and community life." Statistics indicate that the more education a person has, the more likely he or she is to vote or participate in volunteer activities.

As the fledgling American republic grew, both in geographic size and in number of people, social and economic forces stimulated an expansion of the new education system.

With the advent of the Industrial Revolution, the nation's economic base gradually shifted from agriculture to trade to business and industry. While a few years of formal schooling might suffice for citizenship in a small democracy of farmers and traders, it was not enough to appease the appetite of a growing industrial economy. Trained and educated human resources were needed to build the railroads, run the factories and handle increasingly complex financial affairs. In addition to being required to democratic citizenship, public schooling became a practical economic necessity for both individuals and society.

And so, during the second half of the 19th century, high schools were added to the "common" schools that had been mandated earlier by state law. In state after state, compulsory school attendance laws were enacted to require schooling until the age of 14 or 16.

Americans came to recognize that compulsory schooling for everyone benefited the nation both politically and economically.

By the turn of the century, 70 percent of all children in America aged 6-13 were in elementary schools, while about 10 percent of those 14-17 years of age were attending high schools. Across the country today, nearly 100 percent of all children aged 6-13 attend elementary schools, while more than 90 percent of those aged 14-17 attend high schools.

America provides more education for a greater proportion of its population than virtually any other nation in history.

Weapon Against Crime

Education helps reduce the crime rate, according to the California Supreme Court in ruling on the *Serrano* case.

What the court meant is that the more education a person has, the less chance there is that he or she will become a criminal.

More than 90 percent of all adult prisoners in California are school dropouts. The median grade level completed by adult prisoners is 8.2, compared with 12.4 for the general population.

While only 34 percent of the nation's adult population has had eight years of schooling or less, 55 percent of all adult prisoners are in that category.

Eighteen percent of the nation's adult population has had at least one year of college education. But only 5 percent of all adult prisoners have been to college.

And while the average annual cost per pupil of public schooling in California is $1,674, the average annual cost of maintaining a youngster in a juvenile detention facility is $18,000.

Education as an Investment

The economic value of education to the individual is well known. The more education people have, the higher their lifetime earnings are likely to be. The U.S. Census Bureau estimates that the average high school graduate will earn about $100,000 more in a lifetime than a person with only an elementary school education. And the greater the amount of education attained, the less likely it is that a person will become or remain unemployed.

Just as an individual benefits economically from education, so too does society. For example, higher individual incomes lead to larger local, state and federal tax returns; communities with high median incomes have high retail sales per capita.

Only in recent years, however, have economists recognized education's potential as an investment in human resources. While the impact of the Industrial Revolution proved that education can produce and reproduce a skilled work force, the relationship of education to increased productivity was not appreciated.

When economists found that investment in plants and equipment could not by itself explain the rapid growth of the American economy, they began to analyze more carefully the influence of human resources. They concluded that investments in new knowledge, including education, have paid off in the creation, development and marketing of new goods, new technologies and new services. No other kind of investment combines these features.

Conservative economists now believe that more than half of the differences in per capita income between the United States and less developed countries can be explained by differences in the quality of human resources available. Other economists have concluded that the growth in real per capita income in the U.S. since 1930 has been due as much to investments in knowledge and education as it has to investments in plants and equipment.

Not only has education provided more people with higher incomes, it has also contributed significantly to the nation's economic growth.

Agents of Social Change

Americans have traditionally demanded more of their schools than education for citizenship and education for economic growth. Almost from the beginning of the compulsory school movement, there have been social as well as political and economic expectations.

What the Court Said

Following are quotations about the value of education from the trial court judge in the *Serrano* case:

- Schools can and do play a role in making children better future citizens.
- A child's self-concept can be improved by the educational process.
- Schools can and do play a role in equipping children with what it takes to get along in a technological society.
- Schools can and do play a role in providing children with acceptable social values and behavioral norms.
- Education is a major determinant of an individual's chances for economic and social success in our competitive society.
- Education is essential in maintaining "free enterprise democracy" — that is, preserving an individual's opportunity to compete successfully in the economic marketplace, despite a disadvantaged background.

Schools, perhaps more than any other institution in American society, provided the setting for creating a sense of national unity. By bringing together in one place children from diverse backgrounds, schools were able to help break down the social class distinctions inherited from colonial powers.

When millions of immigrants poured into the nation between 1850 and 1920, it was the public schools that assumed prime responsibility for the "Americanization" of their children.

In more recent years, public schools have been in the vanguard of national efforts to provide more equal opportunities for those who have been excluded — women, minorities, the mentally or physically handicapped.

In addition, as the influence of traditional forces in shaping the transition from childhood to adulthood declines, schools have been called upon to assume even greater social responsibilities.

Americans have deliberately used their schools as agents of social change. They have exhibited what one historian termed a "consistent, often intense, and sometimes touching faith in the efficacy of popular education."

One of Many Teachers

The nation's faith in the efficacy of education reached its zenith during the 1960s. At that time, education was called upon to play a central role in a massive national effort to eliminate poverty and injustice. Education, it was said, would help transform the poor into self-supporting, taxpaying stability. Education was heralded as the panacea for all of the ills of society.

Despite some not so well-known successes, such as dramatic improvements in high school completion rates, the public perception is that education failed. Major commitments of financial resources produced less than taxpayers expected. Poverty was not eliminated and injustices persist.

So high had been popular expectations that when the public perceived failure, confidence in education declined. Student misbehavior and highly publicized but dubious research that challenged the usefulness of schools only exacerbated the situation.

The value of education had been oversold. Schools alone cannot transform society. In fact, schools are created and supported primarily to transmit existing social and cultural values and to develop productive skills. To the extent that they also provide equal opportunities for achieving individual excellence, the results eventually will be reflected throughout society; to the extent that they fail, the longer will inequities exist.

In fact, schools are only on of many teachers in our society, one of many educational institutions. Just as schools over the past 100 years gradually assumed many of the education responsibilities of the family, church, community and work, so now are schools themselves being supplemented by the educational influences of other forces, particularly the mass media. Alistair Cooke, Big Bird, Walter Cronkite and Archie Bunker have become teachers of the nation.

The relative values of public schooling haven't declined, but they need to be considered realistically in the context of the total society. Public schools make unique contributions to society — politically, economically and socially. They are perhaps the most important function of state and local governments, for as the *Serrano* trial judge said, "education has a more sustained, intensive contact with people than any other governmental service."

Less Than the Minimum Wage

The hourly cost of educating the average California student in the average California school is considerably less than the federal minimum wage of $2.65.

According to the NEA, it cost an average of $1,674 to provide public schooling for each California student in 1977-78.

If a student attended school six hours per day for 180 days, he or she was exposed to 1,080 hours of public schooling.

The cost? $1.53 per hour.

In reality, of course, the average child undoubtedly missed a few days of school. As a result, the average hourly cost per student was probably in the $1.60-1.65 range.

GLOSSARY

Apportionment. State funds allocated to local school districts by the State Department of Education according to formulas approved by the State Legislature.

Assessed valuation (AV). The total value of residential, agricultural and commercial property as determined by the county assessor. Property in California is assessed at 25 percent of market value. It is the basis for computing tax rates for local government units, including school districts.

Average daily attendance (ADA). A unit of measurement computed by adding the number of students actually present on each school day throughout the year and dividing the sum by the total number of school days in the year. One ADA is generated by the attendance of one child 175 days in a school year. Absence for illness does not count as an absence in ADA computations.

Assessed valuation per average daily attendance (AV/ADA). The amount of assessed valuation per child in a given district; determined by dividing the total assessed valuation in a district by the ADA. This is one measure of a district's relative ability to pay for public schooling.

Basic aid. The minimum amount that every public school district receives from the state regardless of the district's wealth. Currently this amount is $120/ADA, which is guaranteed by the state constitution.

Bilingual education program. A categorical program for limited English-speaking and non-English-speaking students.

Capital outlay. Expenditures that result in the acquisition of fixed assets or additions to fixed assets; expenditures for land or existing buildings, improvements, construction, remodeling, etc.

Categorical aid. Money from the state or federal government that is allocated to local school districts for special children or special programs such as educationally handicapped, mentally gifted minors and educationally disadvantaged youth. The local district applies for these funds and receives them according to the number of students in each category. Categorical funds must be used only for the intended purpose.

Collier factor. A system for ensuring, for the purpose of state school support only, that assessment levels in the various counties are as nearly equal as possible. The statewide average assessment level is determined, and all counties are assigned "factors" which depend upon their assessment levels in relation to the statewide average. In effect, counties overassessing and underassessing receive state equalization aid as if they were assessing at the statewide average assessment level. Should a district in a county with a low assessment level receive less state equalization aid because of the upward adjustment of its assessed valuation, the "loss" must be made up through an equalization aid offset tax. The assessed valuations of school districts, as corrected by the "Collier factor," are used to compute state school apportionments.

Compensatory education. Special educational activities, usually carried out with state or federal financial assistance, that are designed to compensate for the learning difficulties of children from educationally disadvantaged backgrounds.

Computational tax rate. A uniform tax rate that is used to calculate a district's share of the foundation program. In 1977-78 the computational tax rate was set at $2.23/$100 modified assessed valuation for elementary districts, $1.64/$100 modified assessed valuation for high school districts. Districts are not required to level the computational tax rate; but, their state equalization aid, if any, is computed as though they do. Under AB 65, the computational tax rate will be recalculated every year and its uses extended to calculation of a district's share of wealth-equalized overrides, the guaranteed yield program and the equalization tax capture.

Cost differentials. Differences in per pupil costs due to the location of schools, the needs of students served or other external reasons.

Current expense of education. The total operating expenditures of a school district including all expenditures except food services, community services, capital outlay, debt services and tuition.

District aid (or share). The district's contribution to the foundation program, generally computed by multiplying the district's assessed valuation by the computational tax rate.

Economic impact aid. A new categorical funding source to take effect July 1, 1979. It combines existing EDY and bilingual program funds into a single allocation system. Allocations for eligible districts will be based on factors similar to those currently used in the EDY program.

Educationally disadvantaged youth (EDY). A categorical compensatory education program to help disadvantaged and low-achieving children. Eligible districts are determined on the basis of an index that takes into account language barriers, family income and pupil transiency.

Equalization aid. The state contribution to the foundation program of a local district if the sum of state basic aid and district aid fails to equal or exceed the amount of the district's foundation program.

Equalization tax. A mechanism whereby high-wealth districts have a portion of their revenues "captured" by the state and deposited in the state school fund. The capture amount is a function of the district's foundation program amount, revenue limit (including voted overrides), local assessed valuation and the computational tax rate.

Expenditure equalizing. A procedure for distributing state and local resources so that all districts have the capability of offering a quality educational program. This may or may not involve tax equalization.

Expenditure uniformity. An equity standard in school finance requiring equal expenditures per pupil for all students in the state. (See *Fiscal neutrality*.)

Fiscal neutrality. Fiscal neutrality is a court-defined equity standard in school finance stating that differences in expenditures per pupil cannot be related to local school district wealth. (See *Expenditure uniformity*.)

Foundation program. This is a theoretical minimum dollar amount necessary to provide each student with an adequate educational program. It is guaranteed by the state to all school districts through a combination of state aid and local property tax revenues. The state's contribution to the foundation program varies inversely to the wealth of the local district — more going to poorer districts in the form of equalization aid. All districts receive basic aid.

General aid. State or federal assistance that can be used by a school district for any purpose.

Guaranteed yield program (GYP). A mechanism to ensure a given amount of revenue per pupil for a given tax rate in low-wealth districts with a revenue limit about the foundation program. If local assessed valuation is too low to produce the guaranteed amount, the state will provide a supplementary payment from the State School Fund using a computational tax rate applied to the difference between the foundation program and the district's revenue limit. For the complementary program in high-wealth districts see *Equalization taxes.*

High-wealth district. A district that usually has much business and industry and few children, and thus a high tax base per child. This district can raise more than the foundation amount when local assessed valuation is taxed at the computational tax rate. High-wealth districts are basic aid districts. Wealth, under this definition, may not be related to the wealth of the families in the district so high-wealth districts contain many low-income families just as low-wealth districts may include high-income families. (See *Low-wealth district*.)

Limited and non-English speaking. Non-English speaking persons speak and understand another language but do not speak or understand English well enough to learn and perform effectively in an English-speaking classroom. Limited English-speaking persons speak and understand another language but do not speak or understand English well enough to learn from a teacher who speaks only English.

Local district. A geographic area authorized by the state to operate public schools. California has three kinds of local districts: elementary, high school and unified.

Low-wealth district. A district with many homes and children but with little business and industry, thus a small tax base per child. This district cannot raise the foundation amount when local property valuation is taxed at the computational tax rate. Low-wealth districts are usually equalization aid districts.

Minimum tax rate. A tax rate per $100 of assessed valuation that must be levied by all school districts within the state. Under AB 65, the rate is $1.00 in elementary school districts, $.80 in high school districts, and $1.80 in unified school districts, including the areawide tax where applicable.

Modified assessed valuation (MAV). Because counties have different assessment practices, the state adjusts assessed valuations based on a state average to provide intercounty assessment comparability. If the county assessor has assessed all property within the county uniformly, the process provides assessment comparability among school districts. (See *Collier factor.*)

Necessary small schools. Elementary school districts of less than 101 ADA and operating one or more schools; and high school districts of less than 301 ADA which meet a specified test of remoteness and inaccessibility. Special foundation programs are provided for these schools.

Override tax. A tax (or revenue limit) increase that must be approved by the voters within a school district.

Permissive override tax. A tax authorized by the legislature, levied at the discretion of the local school board for a limited number of authorized purposes, i.e., community services, meals for needy students, etc.

Power equalization. A term meaning that each school district in the state will receive the same dollar yield from the same property tax rate. If, as in a low-wealth school district, a local tax rate does not produce the guaranteed revenue, the state makes up the difference. If, as in a high-wealth district, the yield from the same tax rate produces more than the guaranteed amount, the excess yield is captured and pooled by the state for distribution to low-wealth districts. Thus, for a given tax rate, each district would have the same dollars per student to spend.

Pupil transportation. Transportation of school children between their homes and regular full-time day schools. It does not include transportation on excursions, in summer school and interschool trips.

Revenue limit. The maximum amount of dollars that a school district can collect annually for general education purposes from state aid and local taxes. This limit does not include state and federal categorical support or revenue generated by permissive override taxes. The revenue limit concept was established by SB 90 (1972) and went into effect in 1973-74.

Revenue limit election. A ballot measure that seeks permission from local voters to increase a district's revenue limit by a specific amount per child. All approved overrides after July 1, 1977, are wealth equalized.

School improvement plan. A plan written by a School Site Council that describes objectives and activities to improve its school over a three-year period.

School improvement process. A process to extend the concepts of individualized instruction, emphasis on basic skills and community participation in school decision making to all grades, K-12. Refers to the activities required to carry out school improvement plans.

School site council. A group of persons selected by their peers from a school and its community to prepare a school improvement plan and assist in seeing that the planned activities are carried out.

School tax rate (general purpose). The rate per $100 assessed valuation needed to raise the local share of the revenue limit per ADA. The school tax rate(s) listed on property tax bills include this rate plus other lesser school levies for each school district in which the property is located.

Senate Bill 90 (Chapter 1406/72). A law enacted by the California Legislature in 1972. This bill established a ceiling on the amount of money collected per pupil, based primarily on each district's revenue per pupil in 1972-73. This ceiling is known as the revenue limit.

Senate Bill 90 (Chapter 1135/77). This bill authorizes school districts and county superintendents to raise their revenue limits to offset increased costs resulting from federal or court mandates. It also allows districts and county superintendents to submit claims to the state for reimbursement of increased costs resulting from state mandates or executive orders.

***Serrano-Priest* decision.** The 1976 California Supreme Court decision that declared California's system of financing schools unconstitutional because it violated the equal protection clause of the state constitution. The court requires: (1) differences in annual per pupil expenditures due to local wealth must not exceed $100.00, (2) the relative effort required of local taxpayers for school services must be nearly the same throughout the state and (3) both pupils and taxpayers must receive equal protection under the law.

Slippage. Due to a trend of assessed valuations increasing more rapidly than the foundation program, most districts have been receiving increasingly greater proportions of local school revenues from property taxes. Consequently, the state's share of the foundation program has been declining. This phenomenon is known as "slippage." It occurs when assessed valuation increases by more than increases in the foundation program. AB 65 contains provisions to curb slippage and ensure that the state's share of the foundation program remains at at least the 1977-78 statewide average.

Special education. The educational and instructional activities carried on for physically and mentally handicapped students.

Squeeze factor. The revenue limit is automatically adjusted for inflation each year without requiring a vote of local district residents. However, districts with revenue limits above the foundation program are "squeezed" in proportion to how much their revenue limit exceeds the foundation program, thus receiving less of an automatic increase. A squeeze factor is determined by multiplying the quotient of the prior year's revenue limit by an inflation factor. The squeeze factor is an attempt to narrow the gap in the amount of money districts can raise per pupil.

State School Fund. A special fund created by the constitution which is a vehicle through which most of the state support for the public schools is provided. More than 99 percent of State School Fund revenue is derived from transfers from the State General Fund; the balance is derived from income from investments in the School Land Fund and the Unclaimed Property Fund. The constitution provides that the State School Fund shall be apportioned in its entirety each fiscal year.

Tax effort. The extent to which a local school district levies a local tax for schools.

Tax equalization. High-wealth districts can levy a much lower tax rate to raise the same amount of revenue as a low-wealth district with a much higher tax rate. Tax equalization attempts to guarantee equal revenue to the district for equal tax rates so that a district with a given tax rate, regardless of wealth, would receive the same revenues as any other district in the state with the same tax rate. This finance approach addresses the "fiscal neutrality" issue of the *Serrano* decision because under full tax equalization local district wealth is not the determinant of how much money is available for local educational expenditures. (See *Fiscal neutrality* and *Power equalization*.)

Urban impact aid. Aid to 19 large urban school districts in the state to help them meet urban school needs. Authorized by AB 65 and funded through 1979-80. Eligibility is determined on the basis of 1975-76 ADA, and concentrations of low-income or minority students or both.

Vocational education. Support for a wide range of instructional activities designed to: (1) orient pupils to the world of work, (2) familiarize pupils with occupational categories of employment and (3) provide remedial programs to train students for immediate employment in specific occupations.

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